



March 30, 2018

U.S. Postal Regulatory Commission
901 New York Avenue NW, Suite 2000
Washington, DC 20268-0001

RE: PAEA 10-Year Review
Docket RM2017-3
Order No; 4258

After reviewing the first round of comments submitted to the PRC earlier this month Quad/Graphics would like to submit a reply comment to tie together issues that were presented from different points of view in the first round.

Of specific concern is the discussion of the impact that the proposed changes would have on mail volume and therefore the overall revenue to the USPS. There are three specific comments that we would like to highlight as representative of the comments we receive from our clients when discussing the proposal.

The three comments are those submitted by Discover Financial (Filing 103995), ESPN (Filing 104218) and Meredith Corporation (Filing 103952). All three are clients of Quad/Graphics and in their comments they detailed what impact pricing has and would have on using mail as a medium to distribute their content/message. These are three well known entities that are not going away anytime soon and will continue to have the need to deliver content to their clients. However, in their comments they detail how they would adjust their usage of mail, to the detriment of the USPS, to reflect the adjusted cost model of the PRC proposal.

As a marketing services provider this opens opportunity for us to work with clients on using other channels to deliver their content, at a loss to the USPS. In today's omnichannel marketing environment there are cost efficiencies related to each channel and mail has been shown to be cost effective. However when clients see postage increases of the magnitude proposed by the PRC they are now seeking alternatives. Clients do not want to do this given the positive impact of print but they also need to be responsive to their bottom line.



As detailed in various comments, postage is just one factor that is involved in the delivery of content through the USPS. Meredith, Alliance of Nonprofit Mailers et al, as well as Quad/Graphics showed in comments that postage has been the predominate cost factor increasing the cost of a mail piece. Unfortunately, those other cost factors are also now under increasing cost pressures. Driver shortages in conjunction with additional government regulation are increasing transportation costs, and the recent tariff on paper will increase costs to produce a mail piece.

Our hope is that the PRC looks at the loss of volume that their proposal will have and the impact on not only the commercial mailing supply chain, including the USPS, but at the impact on the general public. The USPS, through it's universal service regulations, delivers content to every household in the country for a consistent price. As written in Title 39 the educational, cultural, scientific and informational (ECSI) needs of the country are an obligation of the USPS. When delivery prices rise faster than CPI, our clients will be looking at the ROI for each delivery. This will put those who live in rural areas at risk of losing access to content. Due to low population density these are the pieces that have the highest cost to marketers and publishers. Recent revelations related to the nature of truth and the relative ease of digital dissemination increase the value of the print channel as a means of ECSI communication. Increasing erosion of media with more stringent editorial processes could lead to the demise of the our national identity that is maintained through the USPS's ECSI requirement.

Quad/Graphics is a marketing services provider that helps brand owners market their products, services and content efficiently by using its strong print foundation in combination with other media channels. In our consultative role with our clients we continue to emphasize the positive ROI that is achieved using mail as a key component of marketing. In 2017 Quad/Graphics produced and presented to the USPS over 10 billion mail pieces of all shapes, sizes and postal classes.

Sincerely,

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